

**HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE
CHILDRENS SERVICES LEVY SUBCOMMITTEE
138 EAST COURT STREET, ROOM 603
CINCINNATI, OHIO 45202**

January 10, 2017

Hamilton County Board of Commissioners
Hon. Todd Portune, President
Hon. Denise Driehaus, Vice-president
Hon. Chris Monzel
138 E. Court Street Room 603
Cincinnati, OH 45202

Re: Childrens Services Levy Mid-Term Report and Recommendations

Hamilton County Board of County Commissioners:

I. Background

In November of 2016, the voters of Hamilton County overwhelmingly approved renewal of the Childrens Services Levy (the "Levy"). That election represented the 6th time the Levy had passed – and had with it, the highest margin of approval it had ever enjoyed. The Levy approval provided funding from the Hamilton County taxpayers from 2017 through 2021. Also of note, (1) the Levy was passed with no increase – the Levy has now remained "flat" since 1996 and (2) the services provided under the Levy are mandated by the Federal and State governments. As is our standard County procedure, prior to the 2016 election, the Tax Levy Review Committee (the "TLRC") completed a thorough review of the then existing Levy, and of the Hamilton County Job and Family Services Childrens Services Division ("JFS"). Integral to the TLRC review was an analysis by a third party consultant – PCG Human Services (the "Consultant").

In its May 2016 report, the Consultant complimented the good work of JFS, and provided its assessment of the "Potential Threats" to JFS during the next Levy cycle. Those threats included:

- Decreasing Childrens Services Revenue
- Opioid Addiction Epidemic Impacting Child Safety
- Increasing Number of Children in Foster Care
- JFS Workforce Stability

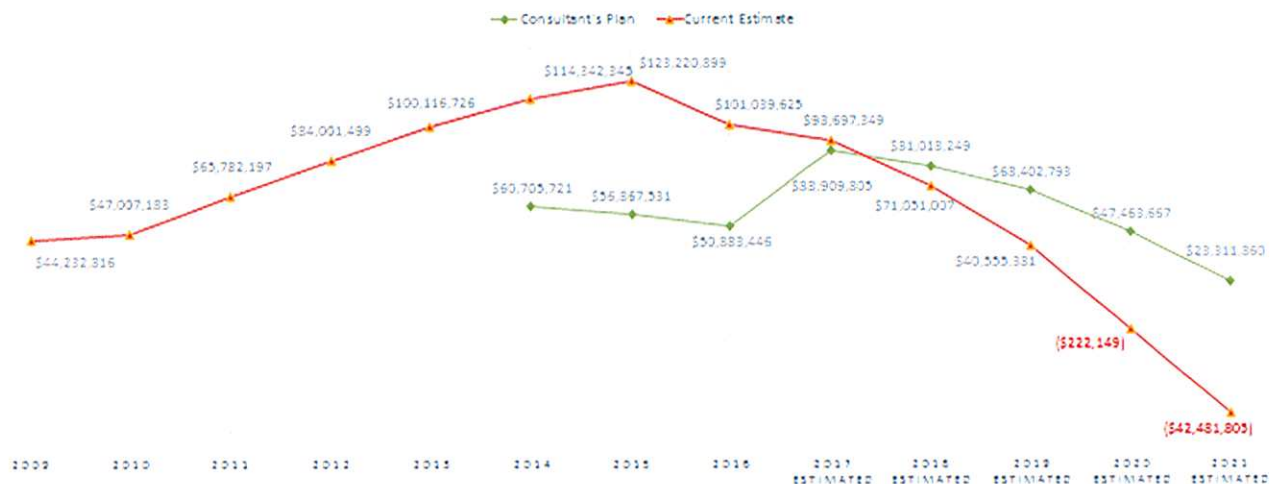
In its June 27, 2016 report to the County Commissioners, the TLRC recommended (in summary) two alternatives:

- **Alternative A** – a flat renewal (at 2.77 mils), coupled with a review in 2018 “to address any impending overage or shortfall at the November 2018 general election”; or
- **Alternative B** – an increase in the Levy up to 3.01 mils (based on the inflation rate). The Consultant predicted at that time, that a flat Levy would “all other projections remaining constant” result in a \$14.8M positive carryover at the conclusion of the 2021 Levy cycle.

The TLRC recommendation noted that if Alternative A (the flat Levy) was adopted, that a mid-point review be conducted “in year two rather than year three of the levy so members of the 2018 TLRC would be able to address any impending overage or shortfall at the November 2018 general election as the 2015 carryover surplus is spent down”. The TLRC recommendation further stated that if this alternative is adopted “the BOCC may need to find an additional funding stream in 2018 to maintain current service levels.” The Commissioners approved Alternative A (the flat Levy) for the November 8, 2016 ballot. The Levy was approved by 71.5% of voters.

One year later, those “potential threats” have become, in large part, realities to JFS. Current projections provided by JFS and County staff (see chart below) show that (if the level of service does not reduce, or revenue increase) JFS will exhaust its Reserve in 2019; and at the end of the Levy cycle, in 2021, the fund balance is projected to be negative by as much as \$42.5 million.

CHILDREN SERVICES LEVY PLANNED BALANCES – VS- ACTUAL / ESTIMATED BALANCES



II. TLRC Review

The Commissioners have now tasked the TLRC with conducting the mid-point review of the Levy so that it can be considered in time for the 2018 ballot cycle, (or for a future ballot). This TLRC review has included multiple meetings and reviews with Moira Weir, Director of JFS, and input from County staff including Lisa Webb and Jen Koetter – both of whom have extensive experience with the Levy, budgeting, and delivery of childrens services in general. Our findings are as follows:

Decreasing Childrens Services Revenue

The TLRC has found increased need for services to children in Hamilton County at the same time as decreased reimbursements from Federal and State resources. To fully explain the current situation facing JFS, the TLRC needed to go back to 2007. This is when, to achieve a reserve balance necessary for a potential Federal audit finding, JFS began a process of reducing non-mandated preventative services and staffing levels. At this same time, Federal allocations were reduced from \$102 million to \$49 million. These reductions to revenue have not been reversed - they have continued to decline - with the largest impact being the potential end of the Protect Ohio grant in 2019 (which would be a \$13 million loss in services).

Ohio ranks last in the nation for funding state child welfare. Hamilton County currently receives 5% of its annual funding from Ohio.

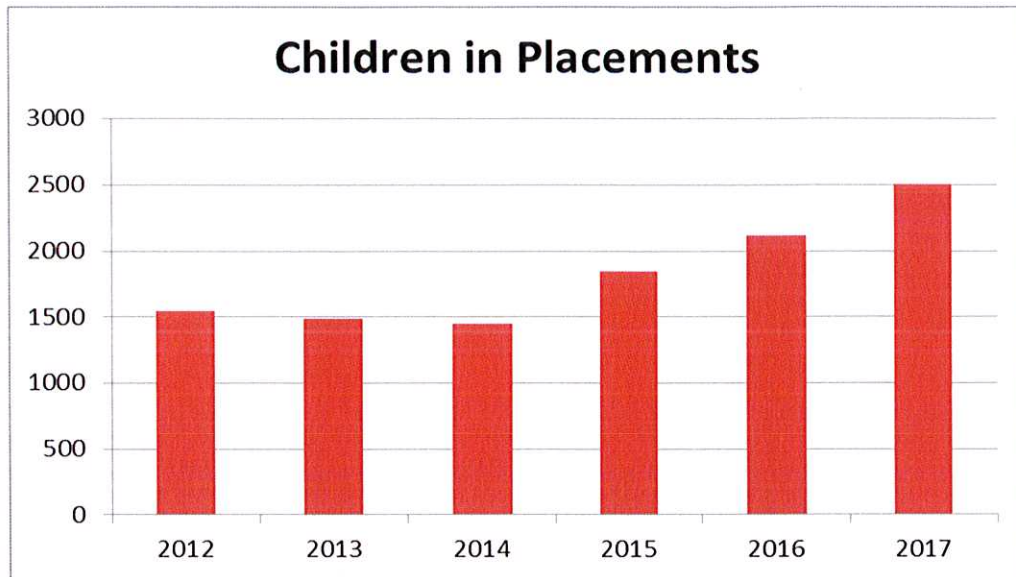
It should be noted, that due to the time lapse between service provided and revenue reimbursement received, the best practices recommend that the Levy maintain a cash reserve of \$20-30 million. Therefore, at year end 2021, if no additional funds are provided, and if service levels remain at their current level, JFS will have an effective deficit of \$62-\$72 million.

Opioid Addiction Epidemic Impacting Child Safety

Families in Hamilton County continue to see the effects of opioid addiction. The 2016 Consultant report noted that it is “estimated that 70% of infants in JFS custody have come into care due to this issue.” Today 79% of families served by JFS have a substance abuse, domestic violence and/or untreated mental illness.

Increasing Number of Children in Foster Care

Since the 2016 review, the number of children in custody in Hamilton County continues to rise at a rate significantly higher than the Consultants had projected. The chart below shows the increase over the last six years.



Costs to care for these children continue to rise as well. For example, (i) the County's HOPE program, designed to help children with multi-system needs, costs the County \$5 million annually to treat the caseload of 64 children (\$78,125 per child). (ii) Ohio is in the process of implementing Medicaid managed care for foster children (the result is a projected \$7-10 million annual cost increase). And (iii) recent State legislation has extended foster care eligibility from age 18 to 21, with no accompanying funding (the result is a \$5-10 million projected annual cost increase).

JFS Workforce Stability

Reduction in Federal allocations led JFS to reduce its staffing from 1,650 to 780 employees over the previous Levy period. This resulted in increased caseloads for caseworkers, putting further strain on these individuals working with families. Once the Audit was resolved in 2016, JFS began adding needed preventive services to keep children and families together, as recommended by the Levy Consultant; as well as additional caseworkers to help ease the staff retention problem that was highlighted in the Consultant review. However, the JFS caseworkers are still working more cases than recommended by best practices. See following chart:

2017 Caseworker Caseload Averages v. Recommended

	Recommended	Hamilton County
Assessment Cases	12	28
Ongoing Cases	15	20

Caseworker turnover is improving, but continues to put a strain on JFS services. The annual turnover rate is currently 32.3%. This is down from 43.4% in 2015.

III. Summary/Conclusion

The Sub-committee charged with this review includes Dr. Ed Herzig, Mark Quarry, Pastor Bobby Hilton, and myself. It should also be noted that Dr. Herzig serves our Community as a CASA volunteer – we express both our Community’s thanks for his service, and recognition of our good fortune at having a volunteer with hands on experience in our ranks. Our review did not include reengagement with the Consultant. The task that we were asked to undertake, was to review the financial performance of JFS, to identify the level of service provided by JFS, and to analyze the projected financial condition of JFS at conclusion of the 2021 Levy cycle. Our review does not take a “deep dive” into the intricacies of each individual service provided by JFS, nor does it include an audit of the financial information provided. We know, based on our 2016 review, that JFS provides quality service to our County, with less revenue than that which is provided to other similar Counties in Ohio; and we know that JFS performs well relative to key Federal measures.

The issue with this review is that it is essentially “cursory”. What we can see, is that there is an issue of additional demand that is higher than projected, there is an increased level of complexity to most cases that has drastically increased the cost per case, JFS Case Workers are stretched beyond best practices, and there are financial issues coming in the next couple of years that will force us as a County to choose between 2 bad options – either reducing services or increasing taxes.

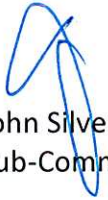
The TLRC believes that “doing nothing” is not an option. However, we are not prepared to recommend exactly “what to do”. We would like to suggest the following:

1. Reengagement of the Consultant to assess in detail those items that we have been reviewing in general;
2. Perform a deeper review of the services provided at JFS; and where we, as a County, see the growing need and opportunity to enhance those services; and
3. Assessment of the cost of providing the desired level of service – and ultimately, what we as a Community would like to ask our voters to embrace.

Relative to the Consultant’s review, prior to providing a thorough recommendation, we believe that the Consultant can assist us in two (2) primary areas: (1) a review of programming – specifically, delineation of JFS endeavors between those that are deemed “minimum” mandated services, “enhanced” mandated services, and “desired” services; and (2) a detailed financial review under each of those service levels.

We believe that this review should occur in early 2018 – with a recommendation provided to the Commissioners by mid-May. This will give the Commissioners time to deliberate over the recommendations in advance of the August approval deadline for the November 2018 ballot. Thank you for your consideration.

Kindest regards,



John Silverman
Sub-Committee Chair

CC: Gwen McFarlin – TLRC Chair
Dr. Ed Herzig
Mark Quarry
Rev. Bobby Hilton